

ILLINOIS DEPARTMENT OF REVENUE
1500 South Ninth Street
Springfield, Illinois 62708

INFORMATIONAL BULLETIN FY82-14 (R-1/82)

SUBJECT: Automobile Renting Occupation and Use Tax Act

PUBLIC ACT 82-703 (SB 1007), which becomes effective on January 1, 1982, establishes an Automobile Renting Occupation and Use Tax Act. This Act imposes Occupation and Use Taxes on the rental price of automobiles rented under lease terms of 1 year or less. The Department of Revenue has the responsibility of administering and enforcing the Act.

For the purpose of this Act, an automobile is a motor vehicle of the first division as defined in Section 1-146 of "The Illinois Vehicle Code", i.e., motor vehicle designed for carrying not more than 10 persons.

AUTOMOBILE RENTING OCCUPATION TAX

The Automobile Renting Occupation Tax is imposed upon persons engaged in this State in the business of renting automobiles in Illinois. Renting is defined as the transfer of the possession or right to possession of an automobile for a period of 1 year or less for a consideration. The rate of State tax is 4% of gross receipts from such rentals. Rental price includes all consideration received from renting automobiles and is to be determined without any deduction on account of the cost of the property rented, the cost of materials used, labor or service cost or any other expense whatsoever. Where the rental price is paid to the rentor on an installment basis, the amounts of installment payments are to be included by the rentor in gross receipts only as and when such payments are received by the rentor. The Automobile Renting Occupation Tax shall be stated as a distinct item separate and apart from the rental price of the automobile on the customer's invoice.

Rental price does not include compensation paid to a rentor by a rentee in consideration of the waiver by the rentor of any right of action or claim against such rentee for loss or damage to the automobile rented. Rental price also does not include a separately stated charge for insurance or recovery of refueling costs or other separately stated charges which are not for the use of tangible personal property. Receipts from these sources must be included in gross receipts and should be deducted prior to computing the amount of tax due.

No Automobile Renting Occupation Tax liability is incurred when an automobile is rented for a lease-period of more than one year; or is rented to a governmental body; or to any corporation, society, association or institution organized and operated exclusively for charitable, religious or educational purposes; or to any not-for-profit corporation, society, association, foundation, institution or organization which has no compensated officers or employees and which is organized and operated primarily for the recreation of persons 55

years of age or older. Receipts from rentals of this nature must be included in gross receipts and should be deducted prior to computing the amount of tax due.

In addition to the State tax, municipalities and counties may impose a local Occupation Tax not to exceed 1%. The Regional Transportation Authority may impose an Occupation Tax not to exceed 1% in Cook County and not to exceed $\frac{1}{2}$ % in DuPage, Kane, Lake, Will and McHenry Counties. The Metro-East Mass Transit District may also impose an Occupation Tax not to exceed 1%. All local and mass transit district taxes must be imposed by the adoption of local ordinances.

AUTOMOBILE RENTING USE TAX

The Automobile Renting Use Tax is imposed upon the privilege of using in this State an automobile which is rented from a rentor. The rate of State Use Tax is 4% of the rental price. The Occupation Tax exemptions (deductions) are applicable to the Use Tax, i.e. rental for a lease-period of more than one year, rental to governmental bodies, etc.

The Automobile Renting Use Tax must be paid by the rentee to rentors registered with Illinois. However, if a rental is made from an out-of-state rentor who is not registered with Illinois, the tax must be paid directly to the Department of Revenue by the persons using the automobile in Illinois.

In addition to the State tax, the municipalities and/or counties may impose Use Taxes not to exceed 1% of the rental price when the automobile is rented outside the State of Illinois and the automobile is titled or licensed with an agency of the State of Illinois and the address for title or licensing is located in the municipality or the unincorporated area of the county. If the address for title or licensing is in Cook County, the RTA may impose a tax not to exceed 1% of the rental price. If the address is in DuPage, Kane, Lake, McHenry or Will Counties, the RTA may impose a tax not to exceed $\frac{1}{2}$ %. If the address is in the Metro-East Mass Transit District, a tax not to exceed 1% may be imposed. All local and mass transit use taxes must be imposed by the adoption of local ordinances. Local and mass transit use taxes must be paid by the persons whose Illinois addresses are given for titling and registration purposes.

PURCHASES OF AUTOMOBILES TO BE USED IN A RENTAL BUSINESS

The Automobile Renting Occupation and Use Tax Act amends Section 2 of the Retailers' Occupation Tax Act and Section 3 of the Use Tax Act. Accordingly, effective January 1, 1982, sales of automobiles which will be used by the purchaser for automobile renting under lease terms of 1 year or less are exempt from sales and use tax.

The purchaser will be required to certify (on a form prescribed by the Department of Revenue) that the automobile will be used for renting purposes under lease terms of one year or less. If the automobile is

purchased from an Illinois dealer, the certification will be forwarded by the dealer with the RR-556 transaction return. If the automobile is

purchased from an out-of-state unregistered dealer, the purchaser will be responsible for securing Department of Revenue approval for the Use Tax exemption.

The Illinois seller will report such sales on the RR-556. Until such time as the RR-556 is revised to accommodate Sale for Rental, the sale should be reported as "A SALE FOR RESALE" in item G on the RR-556 return. The word "RESALE" should be changed to "RENTAL".

The certification from the purchaser must be attached to the pink copy of the RR-556 and forwarded to the Department via the Secretary of State's Office. In addition, the purchaser's registration number is to be entered in item G.

The Department will provide transaction accounts (RR-556) with the certification forms in the very near future.

SEPARATE REGISTRATION NOT REQUIRED

If you are already registered under the Retailers' Occupation Tax Act, it will not be necessary for you to obtain a separate registration for your automobile rental business. In order that the Department may properly identify you with respect to the auto rental business, we ask that you complete the enclosed questionnaire and respond no later than December 15, 1981. Failure to respond in a timely fashion will result in costly correspondence.

You may obtain additional information regarding the Automobile Renting Tax by contacting the Department. If you are Cook County, call 641-2150. Persons elsewhere in Illinois can call the Department's toll free number, 800-252-8972. Out-of-state taxpayers should call 217-782-3336.

J. Thomas Johnson
Director

Issued: January, 1982

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